PRESS RELEASE

Number 32

Solid Chemical Business and a Challenging Solar Market Shape WACKER’s Q2 Sales and Earnings

- GROUP SALES FOR Q2 2019 COME IN AT €1.27 BILLION, DOWN 5 PERCENT YEAR OVER YEAR, BUT UP 3 PERCENT QUARTER OVER QUARTER
- SLOWED BY MARKEDLY WEAKER POLYSILICON PRICES, DECREASED STANDARD-SILICONE PRICES AND HIGHER ENERGY COSTS, EBITDA TOTALS €211 MILLION, 19 PERCENT BELOW A YEAR AGO, BUT 48 PERCENT ABOVE THE PRIOR QUARTER
- NET INCOME FOR Q2 2019 AMOUNTS TO €37 MILLION
- NET CASH FLOW IS POSITIVE AT €22 MILLION
- FULL-YEAR FORECAST UNCHANGED: GROUP SALES FOR 2019 EXPECTED TO GROW BY A MID-SINGLE-DIGIT PERCENTAGE, WITH EBITDA LIKELY TO DECLINE BY 10 TO 20 PERCENT VERSUS LAST YEAR

Munich, August 1, 2019 – In Q2 2019, Wacker Chemie AG increased both its sales and EBITDA quarter over quarter but did not reach its year-ago figures. The Munich-based chemical company posted sales of €1,268.5 million in the reporting quarter (Q2 2018: €1,329.9 million), a year-over-year decrease of 5 percent. The decline was mainly due to overall lower prices, particularly for solar-grade polysilicon, but also for standard silicones. Aggregate volume and product-mix effects also reduced sales slightly. On the other hand,
sales benefited from exchange-rate movements due to the US dollar’s rise versus last year. Compared with the preceding quarter (€1,235.7 million), sales were up 3 percent, mainly due to volume growth.

In Q2 2019, WACKER posted EBITDA (earnings before interest, taxes, depreciation and amortization) of €210.7 million. That was 19 percent less than a year ago (€260.5 million). The main factors in the decline were significantly reduced average prices for solar-grade polysilicon and lower prices for standard silicones. Higher energy costs also diminished EBITDA. Compared with a quarter ago (€142.0 million), however, WACKER’s EBITDA climbed by 48 percent. Aside from sales growth, EBITDA was lifted by special income. In the reporting quarter, WACKER retained advance payments of €19.0 million it had received in connection with its contractual and delivery relationship with a solar customer. The Group’s EBITDA margin for Q2 2019 was 16.6 percent, after 19.6 percent a year earlier and 11.5 percent a quarter ago.

Group EBIT (earnings before interest and taxes) totaled €70.7 million in the reporting quarter (Q2 2018: €125.0 million). That was a year-over-year decline of 43 percent and yielded an EBIT margin of 5.6 percent, after 9.4 percent a year ago. Relative to Q1 2019 (€0.1 million), however, EBIT grew strongly. Aside from the factors already mentioned, higher depreciation year over year also reduced EBIT. Depreciation rose to €140.0 million in the reporting quarter (Q2 2018: €135.5 million). That was 3 percent higher than last year. Alongside exchange-rate effects, the main reason for this rise was the application of IFRS 16, a new standard regulating the accounting of leases. Net income for the quarter totaled €37.2 million (Q2 2018:
€83.5 million) and earnings per share came in at €0.68 (Q2 2018: €1.59).

The full-year 2019 forecast, as published in the Annual Report for 2018, remains unchanged. WACKER continues to expect that Group sales for 2019 will grow by a mid-single-digit percentage relative to last year (€4,978.8 million). EBITDA is likely to decline by 10 to 20 percent versus last year’s figure (€930.0 million). With the global economy losing momentum and China’s solar market yet to revive, WACKER now expects full-year EBITDA to be closer to the bottom end of this range.

“At the mid-year mark, our chemical business is in solid shape overall,” said CEO Rudolf Staudigl in Munich on Thursday. “Despite the deteriorating outlook for the world economy, demand for our chemical products remained good. Aggregate sales at our chemical divisions grew slightly versus Q2 2018. WACKER SILICONES almost matched its strong sales figure of a year earlier. On the earnings side, the effects of normalization are apparent after last year’s boom. This is reflected not only in standard-silicone prices, but also in WACKER and customer inventories. WACKER POLYMERS achieved further sales gains and considerably stronger EBITDA growth. Demand remains strong for our dispersible polymer powders and dispersions. As the global market leader, we can fully leverage our strengths here and provide customers with the growing quantities they require. Market conditions remain difficult for solar-grade polysilicon. In particular, the extremely low price level is a major challenge for both WACKER POLYSILICON and its competitors. Despite the tough market situation, the division generated positive reporting-quarter EBITDA. Special income was not the only factor here. Earnings also
reflected operational improvements and cost reductions, achieved through WACKER POLYSILICON’s ongoing measures to optimize its production processes. Overall, we remain confident about meeting our targets for 2019.”

Regions
In Q2 2019, WACKER lifted its sales in the Americas. Sales there climbed to €242.7 million. That was 9 percent more than a year ago (€223.7 million). In Europe, WACKER’s reporting-quarter sales totaled €527.1 million (Q2 2018: €543.2 million) and in Asia €434.5 million (Q2 2018: €495.7 million). That was 3 and 12 percent lower, respectively.

Capital Expenditures and Net Cash Flow
In Q2 2019, the Group’s capital expenditures came in at €104.7 million (Q2 2018: €97.7 million), up 7 percent year over year. The investment focus was on expanding capacity for silicone and polymer products.

Net cash flow totaled €21.8 million in Q2 2019 (Q2 2018: €-97.7 million). Substantially higher cash flows from operating activities were the main factor in this year-over-year increase.

Employees
WACKER’s global workforce rose slightly in the reporting quarter. The Group had 14,826 employees on June 30, 2019 (March 31, 2019: 14,744). At the end of the reporting quarter, 10,453 employees (March 31, 2019: 10,428) worked at WACKER sites in Germany and 4,373 (March 31, 2019: 4,316) at international locations.
**Business Divisions**

In Q2 2019, **WACKER SILICONES** posted total sales of €650.0 million, almost matching the comparable year-earlier figure of €653.8 million. Slightly higher prices for specialties did not fully offset the price decline for standard silicones. Also, volume and product-mix effects dampened sales. Exchange-rate changes, on the other hand, supported sales. The division outperformed its sales of a quarter ago (€604.9 million) by 7 percent. WACKER SILICONES posted reporting-quarter EBITDA of €119.8 million, 32 percent below last year (€176.6 million) and 6 percent lower than a quarter ago (€128.1 million). EBITDA was impacted not only by volume and product-mix effects and lower prices for standard silicones, but also by measures to optimize working capital. The EBITDA margin for Q2 2019 was 18.4 percent, after 27.0 percent in Q2 2018 and 21.2 percent a quarter ago.

Sales at **WACKER POLYMERS** totaled €353.3 million in the reporting quarter, 3 percent higher than a year ago (€343.1 million). This increase was due to somewhat higher volumes and positive exchange-rate effects. Average prices for dispersions and dispersible polymer powders were largely unchanged year over year. Compared with the preceding quarter (€323.6 million), sales rose 9 percent, primarily thanks to higher volumes. The division's EBITDA amounted to €52.7 million in Q2 2019, after €32.6 million a year ago – an increase of 62 percent. EBITDA was lifted by higher sales, by a good cost structure and by efficiency-enhancing measures. Relative to the preceding quarter (€44.5 million), EBITDA climbed 18 percent. The EBITDA margin was 14.9 percent in the reporting quarter, after 9.5 percent the year before and 13.8 percent a quarter ago.
WACKER BIOSOLUTIONS generated total sales of €60.8 million in Q2 2019, up 6 percent over a year ago (€57.2 million). Business in cyclodextrins and acetylacetone was especially good in the reporting quarter, with volume growth or improved prices lifting sales. Changes in exchange rates also had a positive effect on sales. Compared with the preceding quarter (€58.3 million), the division’s sales were up 4 percent, mainly due to volume growth. Reporting-quarter EBITDA at WACKER BIOSOLUTIONS was €7.3 million, 35 percent above the year-earlier figure (€5.4 million) and 24 percent higher than in the preceding quarter (€5.9 million). Positive effects came not only from volume growth and better prices for a number of products, but also from rising biologics plant utilization. The EBITDA margin rose to 12.0 percent, after 9.4 percent a year ago and 10.1 percent in Q1 2019.

WACKER POLYSILICON generated total sales of €169.9 million in the reporting quarter. That was 30 percent less than a year ago (€242.1 million). The decline stemmed mainly from markedly lower average prices for solar-grade polysilicon. Somewhat decreased year-over-year volumes also reduced sales. Compared with a quarter ago (€211.1 million), sales were down 20 percent, mainly due to lower volumes. WACKER POLYSILICON’s reporting-quarter EBITDA came in at €5.7 million. That was 85 percent less than a year ago (€39.1 million). Not only lower average polysilicon prices, but also inventory write-downs and a marked year-over-year increase in energy prices diminished EBITDA. Relative to a quarter ago (€-35.8 million), on the other hand, the division’s EBITDA rose by €42 million. The increase was due in part to operational improvements, achieved through WACKER POLYSILICON’s measures to optimize its production processes. Additionally, the division retained €19.0 million in
advance payments received from a solar customer. From April through June 2019, the division’s EBITDA margin amounted to 3.4 percent, after 16.2 percent in Q2 2018 and -17.0 percent in Q1 2019.

**Outlook**

WACKER described in detail its projections for the Group’s performance this year in the Outlook section of its 2018 Annual Report. On balance, the statements made there regarding the company’s expectations for the year did not change in the reporting period.

Group sales are projected to increase by a mid-single-digit percentage. EBITDA, on the other hand, will decline by 10 to 20 percent versus last year. With the global economy losing momentum and China’s solar market yet to revive, WACKER now expects full-year EBITDA to be closer to the bottom end of this range. WACKER expects the EBITDA margin to be substantially lower than last year. Capital expenditures of around €400 million will be below last year’s level. For Group net income, WACKER anticipates a significant decline. Net cash flow is likely to be clearly positive and substantially higher than last year. Net financial debt is expected to be higher than last year. Here, the first-time application of IFRS 16 is having an impact, since it stipulates that lease liabilities are now also to be included in calculations of financial liabilities.

*Information for editorial offices: The Q2 2019 report is available for download on the WACKER website (www.wacker.com) under Investor Relations.*
Key Figures for the WACKER Group

€ million  

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<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2018</th>
<th>Change in %</th>
<th>6M 2019</th>
<th>6M 2018</th>
<th>Change in %</th>
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<tbody>
<tr>
<td>Sales</td>
<td>1,268.5</td>
<td>1,329.9</td>
<td>-4.6</td>
<td>2,504.2</td>
<td>2,547.5</td>
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<td>EBITDA</td>
<td>210.7</td>
<td>260.5</td>
<td>-19.1</td>
<td>352.7</td>
<td>515.0</td>
<td>-31.5</td>
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<td>EBITDA margin (%)</td>
<td>16.6</td>
<td>19.6</td>
<td>-</td>
<td>14.1</td>
<td>20.2</td>
<td>-</td>
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<tr>
<td>EBIT</td>
<td>70.7</td>
<td>125.0</td>
<td>-43.4</td>
<td>70.8</td>
<td>246.7</td>
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<tr>
<td>EBIT margin (%)</td>
<td>5.6</td>
<td>9.4</td>
<td>-</td>
<td>2.8</td>
<td>9.7</td>
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<td>Financial result</td>
<td>-18.0</td>
<td>-17.6</td>
<td>2.3</td>
<td>-27.6</td>
<td>-35.2</td>
<td>-21.6</td>
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<tr>
<td>Income before income taxes</td>
<td>52.7</td>
<td>107.4</td>
<td>-50.9</td>
<td>43.2</td>
<td>211.5</td>
<td>-79.6</td>
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<td>Net income for the period</td>
<td>37.2</td>
<td>83.5</td>
<td>-55.4</td>
<td>31.7</td>
<td>162.6</td>
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<tr>
<td>Earnings per share (€)</td>
<td>0.68</td>
<td>1.59</td>
<td>-57.2</td>
<td>0.52</td>
<td>3.11</td>
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<td>Capital expenditures</td>
<td>104.7</td>
<td>97.7</td>
<td>7.2</td>
<td>202.4</td>
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<td>Depreciation / amortization</td>
<td>140.0</td>
<td>135.5</td>
<td>3.3</td>
<td>281.9</td>
<td>268.3</td>
<td>5.1</td>
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<td>Net cash flow</td>
<td>21.8</td>
<td>-97.7</td>
<td>n.a.</td>
<td>-113.2</td>
<td>51.0</td>
<td>n.a.</td>
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€ million  

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<tr>
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<th>June 30, 2019</th>
<th>June 30, 2018</th>
<th>Dec. 31, 2018</th>
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<tr>
<td>Total assets</td>
<td>7,295.1</td>
<td>6,947.7</td>
<td>7,118.7</td>
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<td>Equity</td>
<td>2,666.9</td>
<td>3,066.0</td>
<td>3,145.5</td>
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<td>Equity ratio (%)</td>
<td>36.6</td>
<td>44.1</td>
<td>44.2</td>
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<tr>
<td>Financial liabilities</td>
<td>1,300.0</td>
<td>1,028.3</td>
<td>997.2</td>
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<td>Net financial debt</td>
<td>989.3</td>
<td>639.5</td>
<td>609.7</td>
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<tr>
<td>Employees (number at end of period)</td>
<td>14,826</td>
<td>14,270</td>
<td>14,542</td>
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This press release contains forward-looking statements based on assumptions and estimates of WACKER's Executive Board. Although we assume the expectations in these forward-looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include, among other things, changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. WACKER does not plan to update its forward-looking statements, nor does it assume the obligation to do so.

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The Company in Brief:
WACKER is a globally-active chemical company with some 14,500 employees and annual sales of around € 4.98 billion (2018). WACKER has a global network of 24 production sites, 22 technical competence centers and 50 sales offices.

WACKER SILICONES
Silicone fluids, emulsions, rubber grades and resins; silanes; pyrogenic silicas; thermoplastic silicone elastomers

WACKER POLYMERS
Polyvinyl acetates and vinyl acetate copolymers and terpolymers in the form of dispersible polymer powders, dispersions, solid resins and solutions

WACKER BIOSOLUTIONS
Biotech products such as cyclodextrins, cysteine and biologics, as well as fine chemicals and PVAc solid resins

WACKER POLYSILICON
Polysilicon for the semiconductor and photovoltaic industries